

WASHINGTON – Congressman Spencer Bachus (AL-6) today said that a failure of the Securities and Exchange Commission (SEC) to investigate credible charges is a common thread between the notorious Bernard Madoff Ponzi Fraud case and Jefferson County's sewer bond swaps.

Bachus drew the comparison during his questioning of whistleblower Harry Markopolos, who told a House Financial Services Committee panel today that the SEC repeatedly refused to look into his evidence that Madoff was cheating investors.

"You handed them a case on a silver platter. I'm amazed that they could have ignored what you gave them," said Bachus, who noted that he had similar problems getting the agency to investigate Jefferson County's sewer bond finances.

"I think it was a combination of incompetence and a failure to take on a major player like Mr. Madoff. They fear the big cases," said Markopolos, who spent nine years warning the SEC about what is now believed to be a \$50 billion fraud.

Bachus presented information to the SEC on Jefferson County's municipal bond indebtedness in 1997 and again in 2007, and said it was only recently that there was any follow-up by the agency.

"Your experience is very similar to the one that some of us on the Hill have had," Bachus said. "Ten years ago and again two years ago we laid out a case on exactly what was going on in Jefferson County."

Markopolos replied, "I know what happened in Birmingham, Alabama. It happened in my hometown of Erie, Pennsylvania, the same thing, municipal securities fraud. It happened in Massachusetts as well."

In a January 2007 letter to the agency, Bachus said that if penalties are assessed against Wall Street firms, excessive fees should be returned to ratepayers and taxpayers in Jefferson County through a procedure called disgorgement.

Bachus, who is Ranking Member on the Financial Services Committee, said the two cases are further proof of the need to modernize an outdated financial regulatory system.

Editors:

A transcript of the exchange between Congressman Bachus and Mr. Markopolous follows.

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A copy of Congressman Bachus' January 2007 letter to the SEC is attached.

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Congressman Bachus' full line of questioning can be viewed on his YouTube Channel, www.youtube.com/CongressmanBachus

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TRANSCRIPT OF EXCHANGE ON JEFFERSON COUNTY

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Bachus:□ You’ve heard the so-called “pay to play” in municipal bonds. Ten years ago and again two years ago we laid out a case on exactly what was going on in Jefferson County. They did nothing for another year (2008). Finally, someone, a whistleblower, came forward on something else and was caught. Your experience is very similar to the one that some of us on the Hill have had.

Markopolous: Congressman, I know what happened in Birmingham, Alabama. It happened in my hometown of Erie, Pennsylvania, the same thing, municipal securities fraud. It happened in Massachusetts as well. The Massachusetts Turnpike Authority lost \$450 million on some over-the-counter “swaptions” that they never understood. They were deceived into entering into a transaction with several Wall Street investment banks and the SEC has been nowhere to be found regulating or with enforcement actions on the crimes that have

occurred. As a result, Massachusetts plans on doubling our tolls. We're going to pay for that out of our own pockets.

Bachus: It happened under the Clinton Administration and the Bush Administration. My first letter was actually to the Clinton Administration {and the second to the Bush Administration). I would like the committee's unanimous consent to enter my letters to the SEC into the record. It's a similar experience to what you had. The difference is that I was relying on other people to look at the information and tell me if it was true or false, and they told me there wasn't anything to it.

Markopolous: I think that what you'll see is

that the SEC is busy protecting the big financial predators from investors and that's their modus operandi right now.

Bachus: I appreciate that, and I want to again tell you just how truly grateful we are to you. Unfortunately, if your warnings had been taken and if the warnings of other people had been taken 10 and 12 years ago, there would be literally millions of Americans who wouldn't be suffering today from losing their entire retirement.

